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Does trade follow the flag?

London

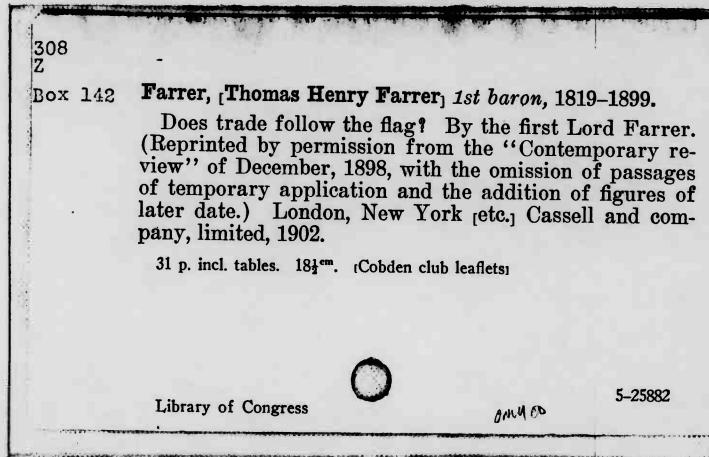
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# DOES TRADE FOLLOW THE FLAG?

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BY THE FIRST  
LORD FARRER.

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## DOES TRADE FOLLOW THE FLAG?

THE spirit of Jingoism is no new thing; it is always with us; but it has become much more intense during the last half-century. The development of nationalism, whilst not without its good features, has also encouraged a spurious kind of patriotism, which seeks its own advantage in the misfortunes of its neighbours, and thinks it has gained little unless it is taken from them. This spirit shows itself in many forms. A few years ago its war-cry was Protection—a cry which has been successful abroad, and which, under the absurd title of Fair Trade, has been noisy and troublesome at home. That bubble has collapsed, in spite of the devoted efforts of Sir Howard Vincent and the bribe of Imperial Protection fruitlessly dangled before the colonies by Mr. Chamberlain. But the same evil spirit has now taken another form—the lust of an extended Empire. In this form it is even more dangerous than Protection or Fair Trade, for it appeals to larger ambitions and enlists wider sympathies. It is not, however, with the military spirit that I wish to deal at present—with the love of glory, or the desire to rule. The newest reason

## INTENTIONAL SECOND EXPOSURE

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given for conquest and aggression is that they are necessary in order to maintain and extend our commerce. We are told that foreign nations are everywhere adopting an exclusive policy, and that if we desire to keep an open door for our own trade we must have that door, and all which lies behind that door, in our own possession. In order to trade we must rule, and in order to rule we must grab. We must conquer or we must starve.

This is the latest gospel of Jingoism, and it is one which at this moment appeals strongly to the English people. Being no longer the workshop of the world, finding rivals where we formerly found only customers, and excluded, so far as such exclusion is possible, from the ports of other nations by a system of Protection as rigid as our own once was, we seek for a remedy for real or supposed evils in the extension of our Empire; we spend on naval and military force such sums as would have horrified the last generation; and we are ready to quarrel with the rest of the civilised world for any waste corners of the earth which are still left to scramble for, and for every "sphere of influence," however worthless.

Let me quote one or two passages from the ablest advocate of this modern form of Jingoism; from one who has shown that he is not unwilling to sacrifice our Free Trade policy on the altar of Imperialism, and who, foiled in that attempt by

the feeling of this country, and by the superior wisdom of colonial statesmen, now drops Protection and advocates Conquest.

Let me quote passages from some recent speeches. On November 5, 1897, at Glasgow, Mr. Chamberlain is reported to have said :

" We believe in the greatness of the Empire. We are not afraid of its expansion. We know that for us control over the markets is an absolute necessity, and that without it we could not possibly keep in comfort all the vast population which we have in these small islands."

Again, at Liverpool, on January 18, 1898, he is reported to have used the following words :

" We have got enough land and we have got enough of barbarous peoples to conquer and to govern.

" Why conquer more? . . . Because it is absurd to measure the possible value of an undeveloped country by its present condition. . . .

" I say there is no undiscovered country at the present moment, or undeveloped country, of which it is not possible, and as to some cases as to which it is not probable, that they will at no distant date rival even any of the most prosperous colonies in the amount of trade and commerce which they will be able to feed.

" We alone are not only the earliest in the field, but have been *from the first* the pioneers of an universal trade. Wherever we have conquered, we have conquered for civilisation and for the world; and we have never attempted to put up barriers against the other peoples. But that is not the policy of our neighbours, of our rivals and our friends; and at the present moment it is perfectly certain that we are liable to be excluded from any country, so far as hostile tariffs can possibly exclude us, where the British flag does not float. So, sir, I say that our policy at the present moment—it is the policy of her Majesty's Government, and I hope it is the policy of the country—is the maintenance of free markets, even where that involves the acquisition of new territory. . . .

" I hold that we have a threefold duty. In the first place,

to keep what rightly belongs to us; in the second place, to *peg out claims for posterity*; and in the third place, if any one tries to rush those claims, gently to prevent them."

Then follows some self-glorification about our sacrifices and concessions, and the gross ingratitude of foreign nations.

An historical critic might observe upon this speech, that in the earlier days of our own growing trade we were as jealously exclusive as the most Protectionist of foreign nations, and that the abandonment of that exclusive policy was due to statesmen whose authority Mr. Chamberlain now repudiates. And a political critic might ask whether the statesman who here boasts that "we have never attempted to put up barriers against other peoples" is the same statesman who has recently proposed to enclose the Empire within a ring-fence of protective duties. On August 2, 1898, Mr. Chamberlain said in the House of Commons: "I believe confidently that this country benefits and that it almost lives upon its colonial empire." It is natural for a Colonial Secretary to magnify his office; but his colleagues at the Treasury and the Board of Trade could tell him that, if this country had nothing but its colonies to live upon, its diet would be extremely meagre.

The serious argument contained in the above extracts is a very important one. This country and its teeming population does depend for its

prosperity, if not for its existence, upon its trade; and if it is true that "Trade follows the flag," and that the trade of the United Kingdom rises and sinks with empire, then there is a strong economical reason for planting the Union Jack in every corner of the world and extending the limits of our national dominion wherever it is possible to do so.

In this argument there is one satisfactory feature; it is open to reply. As Lord Rosebery has well remarked, "What we have to do is to see, in commercial terms, that we have for every new acquisition 'value received.'" When we are told in the language of the poet that we are to

"Pray God our greatness may not fail  
Through craven fear of being great,"

it is a matter of sentiment, and there is no answer except a counter-sentiment. But when it is said that we are to make war or to seize territory in order to get new markets, it is open to us to ask what is likely to be the value of these new markets; how far they will compensate us for the cost; and whether we are likely to find them as profitable as others to which we have access already.

Is it true, as a matter of fact, that the gigantic development of our trade during the last half-century has been due to the growth of our Empire? Is it the fact that our markets depend upon our rule? Is it the fact that we are, as traders, being shut out from those parts of the world which do not

own allegiance to the British flag? Have we reason to think that the extension of the rule and, with the rule, of the trade, of other civilised nations means a diminution of our own trade? These are dull topics for the platform. But it is the merit of the arguments I have quoted that such topics are brought into prominence, and being thus made prominent they deserve careful consideration. In the following observations I propose to examine what light can be thrown upon the above questions by the statistics of our trade during the last half-century.

There is, fortunately, a Board of Trade Return entitled "Statistics of British Trade and Production," which gives facilities for this examination. The last Return (C. 8211) was made in 1896; and it is to this Return, and especially to the Supplementary Tables contained in pages 73 to 88, to which I propose to call attention. These Returns have been framed with the view of giving the comparative trade of the United Kingdom with the several foreign countries and with British possessions since 1854—the earliest year for which we have thoroughly trustworthy statistics. Many of them were originally prepared for me at the Board of Trade when I was writing on Fair Trade; but they have been since revised, improved, and put into a compendious form. The general results of this Return are summarised in the following table:

THE OVER-SEA TRADE OF THE UNITED KINGDOM FROM 1855 TO 1901.

Annual Averages,	Total Imports.					Exports of Home Produce only.					
	From Foreign Countries,		From British Possessions,		Total.	To Foreign Countries,		To British Possessions.		Total.	
	Amount.	Per cent. of Total.	Amount.	Per cent. of Total.	Amount.	£.	Millions.	Amount.	Per cent. of Total.	Amount.	£.
1855-59	129	76.5	40	23.5	169	80	68.5	36	31.5	116	116
1856-64	167	71.2	68	28.8	92	66.8	46	33.2	13.8	181	181
1856-69	218	76.0	68	24.0	235	131	72.4	50	27.6	235	235
1856-74	270	78.0	76	22.0	346	175	74.4	60	25.6	262	262
1857-79	292	77.9	83	22.1	375	135	67.0	67	33.0	234	234
1858-84	312	76.5	96	23.5	408	153	65.5	81	34.5	226	226
1858-89	293	77.1	87	22.9	380	147	65.0	79	35.0	234	234
1859-94	323	77.1	96	22.9	419	156	66.5	78	33.5	239	239
1859-99	355	78.3	98	21.7	453	158	66.1	81	33.9	291	291
1900	414	79.1	109	20.9	523	197	67.7	94	32.3	371*	371*
1901	416	79.7	106	20.3	522	176	62.9	104	28.0		

\* The increase of 10 millions in the exports to British Possessions in the year 1901 is almost all accounted for under two heads— $\frac{1}{4}$  million to South Africa, and 5 millions to India.

THE OVERSEA TRADE OF THE UNITED  
KINGDOM FROM 1855 TO 1901  
(continued).

Annual Averages.	Total Imports, plus Exports of Home Produce.*				
	From and to Foreign Countries.	From and to British Possessions.	Total.		
	Amount. £ Millions.	Per cent. of Total.	Amount. £ Millions.	Per cent. of Total.	Amount. £ Millions.
1855-59	209	73.3	76	26.7	285
1860-64	259	69.4	114	39.6	373
1865-69	349	74.7	118	25.3	467
1870-74	445	76.6	136	23.4	581
1875-79	427	74.0	150	26.0	577
1880-84	465	72.4	177	27.6	642
1885-89	440	72.6	166	27.4	606
1890-94	479	73.4	174	26.6	653
1895-99	513	74.1	179	25.9	692
1900	611	75.0	203	25.0	814
1901	592	73.8	210	26.2	802

\* Re-exports of foreign and colonial produce are omitted. If re-exports were included, the proportion of trade done with British Possessions would be smaller in proportion to the whole trade of the United Kingdom than appears by the above Table.

The table on the preceding page shows that the aggregate amount of the external trade of the United Kingdom, deducting re-exports, in the five years ending 1859, was 285 millions; and of this, 73.3 per cent. was with Foreign Countries, and 26.7 per cent. was with British Possessions. The corresponding figure in 1901 was £802,000,000, and of this 73.8 per cent. was with Foreign Countries, and 26.2 per cent. was with British Possessions. So that, comparing the first and the last figures in the table, the proportion of the trade which the United Kingdom does with Foreign Countries has slightly increased, and the proportion which it does with British Possessions has slightly diminished.

The striking feature in these figures is the persistency of the proportion. The smallest percentage of trade with Foreign Countries was in 1860-64, when it was 69.4 against 30.6 of trade with British Possessions, a circumstance apparently due to the Civil War in the United States. The largest percentage of trade with Foreign Countries was in 1870-74, when it was 76.6 as against 23.4 of trade with British Possessions. This was probably due to the recovery in United States trade, to the commercial treaties with European countries, and to a falling off in the East Indian trade. But the proportion has remained remarkably constant throughout the half-century, in spite of changes of all kinds—in spite of changes in the commercial policy of

foreign nations — from Protection towards Free Trade, and then back to Protection ; in spite of the gigantic extension of our Indian and colonial empire in area, in population, and in trade ; and in spite of wars, conquest, and changes of territory within and without the Empire. It seems as if it were a general law that, of our whole external trade, about one-quarter should be with British Possessions and three-quarters with foreign countries.

Turning now from the aggregate trade of the United Kingdom to the returns of imports and of exports of British produce taken separately, we find that the proportion of exports to British Possessions is rather larger, and has grown rather faster than that of imports from British Possessions. This may be accounted for to some extent by the trade of India. The proportion of the direct import trade from India to our whole import trade has diminished during the half-century, whilst the proportion of our export trade to India to our whole export trade has remained stationary. The United Kingdom exports direct to India ; India exports to other countries—*e.g.* to Europe and to the United States—and these countries in their turn export to the United Kingdom. The fact is a very interesting one, and shows how trade, if let alone, follows its own course, direct or indirect, as the case may be. Consequently, any attempt to force trade into direct channels between the United Kingdom and British Possessions might

have the effect of impeding and diminishing, instead of increasing, our trade.

In the above figures the re-exports of foreign and colonial goods from the United Kingdom are not included. If they were included, the proportion of our trade with Foreign Countries, as compared with that carried on with British Possessions, would appear to be rather larger than is shown by the above figures. This was to be expected, since the re-exports consist largely of goods imported from distant quarters of the world and re-exported to foreign countries in Europe. Nor does it appear that this *entrepot* trade shows signs of comparative falling off.

The above figures give the comparative amount of trade reckoned in values. It will be interesting to make a similar comparison of the amount and growth of the trade of the United Kingdom to places within and without the Empire, reckoned in the tonnage of shipping, which, roughly speaking, gives some indication of quantity, not value.

Comparing the entries and clearances in the United Kingdom of ships bound from and to Foreign Countries with those of ships bound from and to British Possessions, we find the proportions to be as follows :

## SHIPPING OF THE UNITED KINGDOM.

Annual Average for	Percentage of Entries.		Percentage of Clearances.	
	From Foreign Countries.	From British Possessions.	To Foreign Countries.	To British Possessions.
1855-59	78·9	21·1	78·3	21·7
1860-64	79·2	20·8	78·1	21·9
1865-69	82·5	17·5	81·6	18·4
1870-74	84·9	15·1	82·3	17·7
1875-79	85·8	14·2	81·7	18·3
1880-84	86·6	13·4	81·6	18·4
1885-89	87·7	12·3	82·3	17·7
1890-94	88·0	12·0	84·3	15·7
1895-99	88·4	11·6	86·0	14·0
1900	89·4	10·6	87·4	12·6
1901	88·4	11·6	86·8	13·2

From these figures, taken in conjunction with those previously quoted, it appears—

First, that the proportion of the trade of the United Kingdom carried on with Foreign Countries, as compared with that carried on with British Possessions, is and always has been greater if reckoned in quantity than if reckoned in value.

Secondly, that during the last half-century this proportion, reckoned in quantity, has increased considerably—viz. from 78·9 per cent. of entries and 78·3 per cent. of clearances, in 1855-59, to 88·4 per cent. of entries and 86·0 per cent. of clearances in 1895-99; and that the proportion of the

trade of the United Kingdom carried on with British Possessions, reckoned in quantity, has accordingly diminished—viz. from 21·1 of entries and 21·7 of clearances, in 1855-59, to 11·6 of entries and 14·0 of clearances in 1895-99.

Thirdly, that the proportion of our trade with Foreign Countries, reckoned in quantities, as compared to our trade with British Possessions, has grown faster in the import trade, as shown by the entries, than in the export trade, as shown by the clearances.

The difference in the proportions, as shown by values and by quantities respectively, is probably due to the fact that the articles of our trade with Foreign Countries, and especially of our import trade from Foreign Countries, are on the whole more bulky than those of our trade with British Possessions, and consequently employ more shipping. Out of the shipping employed in the trade of the United Kingdom, upwards of 64 per cent. is British. It seems, therefore, probable that the trade of the United Kingdom with Foreign Countries gives, in proportion to its values, a larger amount of employment to British shipowners than the trade of the United Kingdom with British Possessions.

Having thus considered the progress of trade of the United Kingdom during the last half-century as a whole, it will be interesting to examine the trade with special British Possessions, and with

special Foreign Countries, in order to see whether there is anything in these detail's to alter the conclusions drawn from the aggregate figures.

Let us take the case of India first.

TRADE WITH BRITISH INDIA.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
	Million £.	%	Million £.	%
1855-9	16	9.3	14	12.1
1860-4	34	14.5	18	13.0
1865-9	32	11.3	20	10.9
1870-4	30	8.7	20	8.5
1875-9	29	7.6	23	11.3
1880-4	35	8.7	30	12.9
1885-9	33	8.5	31	13.7
1890-4	30	7.1	30	12.9
1895-99	26	5.7	29	12.1
1900	27	5.2	30	10.3
1901	27	5.2	35	12.4

Our direct trade with British India is important, both because it is far larger than our trade with any other British Possession and because India is a Free-trade country. If, therefore, it is true that trade under the flag increases more quickly than trade not under the flag, we ought to find that our direct trade with India has increased in a larger proportion than our whole trade or than our trade with foreign countries. What are the

facts? In the five years ending 1859 our imports from British India averaged 16 millions per annum, or 9.3 per cent. of our whole import trade; in the five years ending 1899 they averaged 26 millions per annum, or 5.7 of our whole import trade. In the five years ending 1859 our exports of British produce to India were 14 millions, or 12.1 of our whole export trade; in the five years ending 1899 the volume had risen to 29 millions, but the percentage was exactly the same. The percentage of Indian imports has in the interval fluctuated greatly, but there is certainly nothing in these figures to countenance the notion that our trade with a gigantic dependency over which we exercise complete control grows faster or is more to be relied on than our trade with the rest of the world over which we exercise no such control.

There is another lesson to be learnt from the statistics of Indian trade. If we take the Indian returns of imports and exports, as given in the Indian Statistical Abstract, we shall find that the imports of India from the United Kingdom, including treasure, are very much larger than the exports of India to the United Kingdom. If this fact stood alone it would be unintelligible, since we know that India has not only to pay the United Kingdom for the imports she receives from her, but has to pay some £18,000,000 annually for interest on debt and other expenses. But on looking to the other exports of

India—her exports, for instance, to the United States, to France, to Germany, to Holland, to Belgium, to Italy, to Egypt, to South America, to Ceylon, to China, to Japan, and to the Straits Settlements—we find that they are very much larger than her imports from these countries. On the other hand, the exports from these countries—or most of them—to the United Kingdom are much larger than their imports from the United Kingdom—so much larger as to account for the balance which India has to pay. There can be no doubt that the United Kingdom exports to India, that India exports to other countries, most of them foreign countries, and that these countries in their turn export to the United Kingdom.

These facts are of great importance, since they show, in the first place, that when the civilised nations of Europe and America desire to export, and at the same time endeavour to protect their native manufactures by a tax on manufactured goods, whilst leaving their ports open to tropical products and other raw materials, they cannot help promoting the export trade of their rivals, who sell to third countries, such as India, which in turn sell their products to the Protectionist countries.

They are important, in the second place, because they show that the trade of the United Kingdom with her own possessions is part and parcel of the trade which those possessions carry on with foreign

countries. The two trades grow and flourish together, and are in fact complements of each other. To encourage either is to encourage both. To discourage either is to discourage both. Trade which is carried on wholly under the flag is not to be separated or distinguished from trade which is not under the flag.

Next let us take the case of

#### TRADE WITH BRITISH NORTH AMERICA.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
			Million £.	%
1855-59	5	3·3	4	3·1
1860-64	8	3·3	5	3·6
1865-69	7	2·5	6	3·1
1870-74	10	3·0	9	3·6
1875-79	10	2·8	7	3·5
1880-84	11	2·8	9	3·8
1885-89	10	2·8	8	3·4
1890-94	13	3·2	7	3·0
1895-99	18	4·0	6	2·4
1900	22	4·2	8	2·6
1901	20	3·9	8	2·9

The above figures show that the proportion of the trade we do with Canada to our whole trade has decreased during the last half-century, and that as regards exports it is now less than before the preferential tariff was introduced.

Let us now turn to—

TRADE WITH AUSTRALIA AND NEW ZEALAND.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
1855-59	6	3·3	10	8·4
1860-64	7	3·1	11	8·0
1865-69	12	4·1	12	6·9
1870-74	16	4·7	14	6·0
1875-79	22	5·8	19	9·1
1880-84	27	6·5	22	9·4
1885-89	24	6·3	23	10·2
1890-94	30	7·3	20	8·4
1895-99	31	6·8	21	8·7
1900	35	6·7	27	9·3
1901	35	6·6	27	9·6

These are our most rising colonies, recently peopled from the United Kingdom; and if the flag, coupled with similarity of life and habits, is anywhere to show its predominance it should be here. Most of these colonies, it will be remembered, always excluding New South Wales, have become strongly Protectionist since 1879.

The imports have very largely increased, both absolutely and proportionately, and with remarkable steadiness. The volume of exports has also steadily increased, but the proportion to our total export trade has fluctuated considerably.

It is not worth while to give similar figures for

our smaller colonies and dependencies; they would not alter the general result.

Let us now take the details of our trade with the principal foreign countries—

TRADE WITH GERMANY, HOLLAND, AND BELGIUM.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
1855-59	22	12·8	19	16·6
1860-64	29	12·0	21	15·2
1865-69	38	13·3	33	18·1
1870-74	46	13·1	46	19·6
1875-79	55	14·7	37	17·9
1880-84	64	15·7	35	14·9
1885-89	67	17·4	32	14·3
1890-94	71	17·0	34	14·9
1895-99	77	17·1	40	16·5
1900	86	16·4	50	17·1
1901	90	17·2	41	14·5

I have put Germany, Holland, and Belgium together, because it is difficult to tell how much of the goods passing through Dutch or Belgian ports is really intended for Holland or Belgium. It is known that a large proportion is intended for Germany. The result of the addition is, perhaps, not quite accurate, but it is sufficiently so for our purposes.

The proportion of the import trade from these

countries to our whole trade is larger now than it was at the beginning of the period. The proportion of our export trade to these countries is less at the end of the period than it was at the beginning. It rose to 19·6 per cent. in 1870-74, after the Franco-German War, and has since fallen to about 14 or 15 per cent. The proportion of import trade from these countries is larger than the proportion of our export trade, a circumstance which is probably due to the fact noticed above, that we export to India and other tropical and less civilised countries, that these countries export to Continental Europe, and that Continental Europe exports to us.

#### TRADE WITH FRANCE.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
1855-59	1·2	7·2	6	4·8
1860-64	2·2	9·2	8	5·8
1865-69	3·4	11·9	11	6·1
1870-74	4·0	11·6	16	6·8
1875-79	4·3	11·6	15	7·5
1880-84	3·9	9·7	17	7·2
1885-89	3·9	10·2	15	6·3
1890-94	4·4	10·5	15	6·4
1895-99	5·1	11·3	14	5·9
1900	5·4	10·2	20	6·8
1901	5·1	9·8	17	6·6

In spite of Protective tariffs, imports have more than quadrupled, and exports have much more than doubled. The imports have always been very much larger than the exports, which is probably due to the fact noticed above, that England exports to India and other countries, that these countries export to France, and that France in turn exports to England. This conclusion is confirmed by the circumstance that until the opening of the Suez Canal the re-exports of foreign and colonial produce to France (which are not included in the above figures) were very large. Much of this produce now goes direct to France.

The imports from France were unusually large in the years following the Franco-German War, probably in consequence of the payment of the German indemnity, and her proportion of our total import trade then amounted to between 11 and 12 per cent. In 1895-99 the proportion was the same. Our exports were also high in the years following the war, but have since with some fluctuations increased in amount but not in proportion.

Let us now take the—

## TRADE WITH THE UNITED STATES.

Date.	IMPORTS FROM.		EXPORTS TO.	
	Amount.	Percentage.	Amount.	Percentage.
1855-59	33	19·4	19	16·4
1860-64	32	13·6	15	10·9
1865-69	39	13·7	24	12·9
1870-74	62	18·0	33	14·1
1875-79	81	21·6	18	9·0
1880-84	97	23·7	28	12·2
1885-89	85	22·5	28	12·2
1890-94	98	23·5	26	11·0
1895-99	110	24·3	20	8·5
1900	139	26·5	20	6·8
1901	140	26·9	18	6·6

This is, of course, one of our most important foreign trades. Both imports and exports have been subject to very great fluctuations, owing to the American Civil War, to lendings and repayments, to commercial booms and panics, and probably also to the commercial and financial legislation of the United States, which has been remarkably bad. The most striking feature is the remarkable growth of our imports from the United States as compared with our exports. This may be due in part to a comparative cessation of our lendings to the United States, and in part to the McKinley or Dingley Tariff. But I cannot doubt

that there is a still deeper and more important cause at work—viz. that the United States have become an industrial and manufacturing as well as an agricultural community, and make for themselves what we used to make for them. We have to look upon them as rivals quite as much as customers. Meanwhile we may comfort ourselves with the reflection that this change makes it their interest more than ever to join with us in maintaining the policy of the "open door."

Let us now sum up the result of these somewhat tedious figures. What do they prove? I do not for a moment suggest that the natives of foreign countries with wants and habits different from those of Englishmen will buy and use as large a quantity of the things produced in England as people of English origin and habits would buy and use. I do not suggest that the trade of the United Kingdom would not have been larger if the British dominions had been larger, and if the Union Jack had waved over all the countries now dominated by the tricolor or by the double-headed eagle. Still less do I suggest that the protective and prohibitory tariffs of foreign nations, not to mention those of our own colonies, have not made the volume of the trade of the United Kingdom less than it would otherwise have been. What the above figures do prove is, that the trade of the United Kingdom with foreign nations is three times as great as the

trade of the United Kingdom with countries under the British flag; that this proportion has been substantially maintained for the last half-century—in fact, for the whole period for which we have trustworthy statistics; that it has remained the same, or nearly the same, in spite of changes of all kinds; in spite of the enormous increase of the British Empire; in spite of wars and alterations of boundaries; in spite of changes in the internal policies of the nations; in spite of the partial adoption, and in spite of the subsequent relinquishment by other nations, of the principles of Free Trade. In short, these figures prove conclusively that extension of empire is not necessary for the maintenance of the foreign trade of the United Kingdom, and that there is some fundamental fallacy in the doctrine, so dear to Jingoes and Protectionists, that "the trade follows the flag."

It is not difficult to see why this should be the case. Each producer seeks the best market for his goods, and cares nothing about the nationality of the purchaser. Each consumer seeks the goods which suit him best at the lowest price, and cares nothing about the flag which covers the country of origin. National habits, no doubt, influence production, and the same habits influence wants; but given the wants, and given the production which satisfies the wants, nationality does not govern exchange. Further, the artificial barriers

which the folly of nations attempts to set up are really much less effectual than is commonly supposed. What is intended to be a closed door is often only an obstruction in the passage. Protection, when there is excessive production, ceases to protect. Where production is advanced and highly specialised in one country and is less advanced and less specialised in another country, protective duties in the latter may raise prices, but they do not protect. This is the case as between more advanced and less advanced nations, but it is also the case between the most advanced nations. Where, as is at present the case, the most advanced nations in the world are becoming manufacturing nations, one of them will make special progress in one branch of manufacture and another in another branch, and they will exchange in spite of protective tariffs. Hence the great increase of our present trade with Germany in exports as well as imports. All nations, however protective, desire to import what they do not produce, and in so doing promote indirectly the trade against which they try to shut their own doors. Continental Europe exports to England and obstructs the importation of English goods, but at the same time imports from the East; England, in her turn, exports goods to the East, and thus pays indirectly for what Europe sends her. Further, every country desires to export. To export without importing is the purpose of all Protectionists; in-

deed, it is the very essence of the Protectionist craze. It is, of course, impossible for them to carry this purpose into effect; and every export they succeed in making to us implies a corresponding import from us—direct or indirect, visible or invisible, present or past. In short, in the words of the old song,

"Over the mountains  
And over the waves,  
Under the fountains  
And under the graves,  
Under floods that are deepest,  
Which Neptune obey,  
Over rocks that are steepest  
Trade will find out the way."

The great ebb and flow of business is checked, not stopped, by the impediments which human folly places in its way.

The final result of our inquiry is, that if the maxim, "Trade follows the flag," means that our trade depends on our dominion, it is refuted by the events of the last half-century. "Trade," as has been well said, "does not follow the flag; it follows the price-list." The success of our trade depends, not on the nationality of our purchasers, but on the efficiency and economy of our industrial production. What should be done to promote these qualities is a question which lies beyond the scope of this article; but we may be satisfied that to burden our people with the expense of seizing and governing unremunerative possessions, and with the cost of gigantic

armaments created to defend such possessions from all possible rivals, will not tend to economical production. Still less will it tend to economy if, in pursuit of new markets, we are led into war with such countries as France, or Russia, or Germany. Of such a war no one can tell the issue; but we may be very sure that, even if we were successful in the war, there are very few markets which would repay us for the cost. There would be no sufficient "value received." *Le jeu ne vaudrait pas la chandelle.*

It follows from the above facts that it is not necessary to extend our Empire in order to maintain our trade, and that extension of empire is not necessarily followed by increase of trade. Each separate extension must be judged on its own merits. No extension will be valuable to us unless we get "value received" for our outlay, a point which in the case of some of our recent extensions is extremely doubtful. It follows, further, that jealousy of the extension of other civilised nations into the waste places of the world is altogether out of place; and that, even supposing those nations to maintain an exclusive and Protectionist policy, our trade will probably gain more by the better policing and government of those places than it will lose by the commercial rivalry of our neighbours, even when supported by an exclusive system of Protection. But if, on the other hand, upon any new appropriation by a civilised nation of regions hitherto barbarous

or semi-civilised we could be satisfied that they would adopt the policy of the "open door," we should obtain all that our trade requires; and we might regard such appropriation not only without discontent, but with complete and positive approval.

There are two views which can be taken of the interests and effects of trade. The one is that upon which Great Britain acted in former times, which is still in favour with many foreign nations and with a small but noisy party amongst ourselves—the view, namely, that it is the interest of each nation to act in the spirit of monopoly, to keep the trade of the world to itself, and to restrict the trade of other nations. This is the policy which in former times restricted our own trade; which made our own colonies revolt; which has been the cause of many bloody wars, and which, if some of the utterances I have quoted at the beginning of this article become the opinion of our people, may well lead us into bloody wars again.

The other view is that trade is, like mercy, a blessing to him that gives and to him that takes, to him that buys as well as to him that sells; that the less it is hampered with restrictions the more it flourishes; and that a trade which benefits other nations must be a benefit to ourselves. This is the view upon which our country has acted for the last half-century, with great benefit to the world but still greater benefit to ourselves. It is the gospel

preached by Cobden—not only, or chiefly, on account of its material advantages, but because it carries into the practical life of the world the Christian message: "Peace and goodwill amongst men." There never was a time when it was more important that this gospel should be zealously preached.

W.F.H. # 22905

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